

HART SCHAFFNER & MARX



Thirty-Seventh Annual Report
November 30, 1947

EXECUTIVE OFFICES
36 SOUTH FRANKLIN STREET
CHICAGO 6, ILLINOIS



BOARD OF DIRECTORS

EUGENE BASHORE
MEYER KESTNBAUM
LESSING ROSENTHAL

JOSEPH HALLE SCHAFFNER
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CLAY E. STEELE	Secretary and Treasurer
THOMAS E. DAVISON	Comptroller
MORRIS NEUFELD	Assistant Secretary and Assistant Treasurer



TRANSFER AGENTS
The First National Bank of Chicago
Chicago 90, Illinois
Bankers Trust Company
New York 15, N. Y.

REGISTRARS
Continental Illinois National Bank and Trust Company of Chicago
Chicago 90, Illinois
The New York Trust Company
New York 15, N. Y.

HART SCHAFFNER & MARX

CHICAGO

NEW YORK

March 1, 1948

To the Stockholders of
Hart Schaffner & Marx:

The results of the operations of your company for the fiscal year 1947 are set forth in the annual report submitted herewith. Consolidated sales increased from \$45,808,460 in 1946 to a total of \$56,527,917 for the year just ended. The earnings of the parent company and its subsidiaries on a consolidated basis amounted to \$3,212,126 as compared with the record earnings of \$3,423,126 in the fiscal year 1946.

In the operation of the parent company, increased production brought wholesale shipments and profits up to very satisfactory levels. Retail sales of the subsidiary companies were also higher but retail profit margins show a decline from the previous year.

The report to stockholders submitted a year ago called attention to the growing capital requirements of the company. This arises in part from increases in inventories and accounts receivable accompanying a larger volume of business. It will be noted also that the balance sheet reflects substantial investments in improvements of retail store properties.

The most important of these investments made during the year just ended is in the new structure built to house the Baskin store on State Street in Chicago. This five-story building erected under a long-term lease represents a total cost of building and fixtures of more than \$2,000,000. This expenditure is not fully reflected in the balance sheet as of November 30 inasmuch as the store was not completed until after the end of the fiscal year. Several innovations in this modern structure have attracted wide attention and the very encouraging volume of business done during the opening months indicates that the investment will prove to be highly satisfactory.

The program for the improvement of retail store properties has been financed out of profits and within the capital structure of the company. The company has borrowed money for current purposes during the year and it will be noted that indebtedness for borrowed money at the end of the year amounted to \$3,000,000. Bank lines are adequate for current requirements. Your directors are giving consideration to the possibility of long-term financing for such further expansion of the business and improvement of its facilities as may prove to be advantageous.

The volume of orders booked for the Spring 1948 season reflects a demand for our product that continues to be greater than our capacity to produce but there are signs of concern over the continued upward trend of prices. The third round of postwar wage increases became effective throughout the industry on December 15, 1947. As a result of full employment and maximum use of our productive capacity our wholesale prices show a smaller proportionate increase than do wage rates and raw materials, but clothing prices are higher than they have been for many years and it is essential to the welfare of our industry, as it is to others, that prices begin to level off.

Our distribution is based on a high degree of consumer acceptance and on a close relationship with leading retailers throughout the country. The retail subsidiaries which supplement this distribution have in recent years been developed and strengthened. The company is directly affected by the general movement of business but it is in a good position to meet the keener competition that may be expected to develop as we approach a normal relationship between supply and demand.

Respectfully submitted,

MEYER KESTNBAUM
President

HART SCHAFF
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AND SUBSIDIAR
CONSOLIDATED B
As of November 3

Assets

	1947	1946
Current Assets:		
Cash	\$ 3,157,906	\$ 5,136,316
U. S. Government securities—at cost	260,976	1,312,904
Notes and accounts receivable—		
Trade, less reserves for doubtful balances and discounts	5,196,143	3,324,191
Other	242,235	194,673
Inventories—		
Factory inventories at cost or market whichever is lower for current season's goods and estimated realizable value for past seasons' goods; retail stores' inventories at cost or market whichever is lower computed by the retail method	12,870,312	9,953,471
Total current assets	<u>\$21,727,572</u>	<u>\$19,921,555</u>
Other Assets:		
U. S. Government securities (at cost) and cash deposited in escrow for building purposes and deposits under leases	\$ 669,500	\$ 825,000
Notes of officers and employees for purchase of company's common stock	242,600	260,300
Sundry investments (at cost) and loans, less reserves	386,217	141,758
Cash surrender value of insurance policies on lives of officers of certain subsidiaries	58,175	41,938
	<u>\$ 1,356,492</u>	<u>\$ 1,268,996</u>
Properties—at cost:		
Shop equipment, furniture and fixtures	\$ 4,764,344	\$ 3,974,377
Reserve for depreciation	2,910,912	2,739,579
	<u>\$ 1,853,432</u>	<u>\$ 1,234,798</u>
Leasehold improvements—less amortization	3,201,629	1,111,476
Leaseholds—less amortization	278,387	257,813
	<u>\$ 5,333,448</u>	<u>\$ 2,604,087</u>
Deferred Charges:		
Prepaid rentals, insurance, supplies, etc.	\$ 394,244	\$ 258,340
Goodwill, Trade Names and Trade-Marks, at record value	<u>\$ 1</u>	<u>\$ 1</u>
	<u>\$28,811,757</u>	<u>\$24,052,979</u>

NER & MARX

(Corporation)

Y COMPANIES

ALANCE SHEET

, 1947 and 1946

Liabilities

	1947	1946
Current Liabilities:		
Notes payable to banks	\$ 3,000,000	\$ —
Accounts payable—		
Trade	1,418,319	1,605,840
Other	781,888	984,167
Accrued salaries, wages and rents	1,159,189	982,045
Accrued taxes (other than taxes on income)	243,387	227,142
Reserve for federal and state taxes on income	2,487,436	2,617,764
Total current liabilities	<u>\$ 9,090,219</u>	<u>\$ 6,416,958</u>
Minority Stockholders' Interest	<u>\$ 91,981</u>	<u>\$ 55,360</u>
Reserve for Contingencies	<u>\$ 700,000</u>	<u>\$ 700,000</u>
Capital Stock and Surplus:		
Common stock—authorized and issued—375,000 shares, par value \$10.00 each	\$ 3,750,000	\$ 3,750,000
Surplus—		
Capital surplus	1,628,475	1,628,475
Earned surplus	13,982,309	11,625,861
	<u>\$19,360,784</u>	<u>\$17,004,336</u>
Deduct—Treasury stock—20,367½ and 12,367½ shares in 1947 and 1946, respectively	431,227	123,675
	<u>\$18,929,557</u>	<u>\$16,880,661</u>
	<u><u>\$28,811,757</u></u>	<u><u>\$24,052,979</u></u>

HART SCHAFFNER & MARX

(A New York Corporation)

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND SURPLUS

For the fiscal years ended November 30, 1947 and 1946

PROFIT AND LOSS

	1947	1946
Net sales and operating revenues	\$56,527,917	\$45,808,460
Dividends from sundry investments, interest and other income	133,181	177,363
Total	<u>\$56,661,098</u>	<u>\$45,985,823</u>
Less:		
Cost of goods sold and occupancy expenses (exclusive of depreciation and amortization)	\$40,572,867	\$31,895,110
Depreciation and amortization	340,803	239,316
Selling, general and administrative expenses	10,112,752	8,086,584
Interest paid	70,286	37,638
Sundry income deductions	22,353	21,011
Minority interest in net profits of subsidiaries	18,296	23,159
Provision for taxes on income—		
Federal normal income tax and surtax	2,261,795	2,125,435
Federal excess profits tax		77,041
State income taxes	49,820	57,403
Total	<u>\$53,448,972</u>	<u>\$42,562,697</u>
Profit for the year carried to earned surplus	<u>\$ 3,212,126</u>	<u>\$ 3,423,126</u>

CAPITAL SURPLUS

Balance at beginning of year	\$ 1,628,475	\$ 1,422,975
Difference between sale price and par value of treasury stock sold to officers and employees during 1946	—	205,500
Balance at end of year	<u>\$ 1,628,475</u>	<u>\$ 1,628,475</u>

EARNED SURPLUS

Balance at beginning of year	\$11,625,861	\$ 8,847,253
Profit for the year from consolidated statement of profit and loss	3,212,126	3,423,126
	<u>14,837,987</u>	<u>\$12,270,379</u>
Dividends of \$2.40 and \$1.80 per share in 1947 and 1946, respectively	855,678	644,518
Balance at end of year	<u>\$13,982,309</u>	<u>\$11,625,861</u>

REPORT OF ACCOUNTANTS

To the Board of Directors of
Hart Schaffner & Marx:

We have examined the consolidated balance sheet of Hart Schaffner & Marx and its subsidiary companies as of November 30, 1947, and the related consolidated statements of profit and loss and surplus for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary in the circumstances. Under a plan of periodic audits, we visited a number of the subsidiaries as of July 31, 1947, and these included the principal subsidiaries of the company except one which was examined by other independent accountants. In respect of all subsidiaries we were furnished, as of November 30, 1947, with their financial statements supported by details of inventories, receivables and other data, and obtained direct confirmation in respect of bank balances. The books and records of the subsidiaries not independently examined or tested have been audited during the year by internal auditors employed by the company, and the financial statements and internal auditors' reports have been subjected to our review. On the basis of such review, supplemented by inquiries we have made, we are of the opinion that the accounting procedures followed by these subsidiaries are in accordance with accepted principles of accounting maintained by the subsidiaries whose records were independently examined during the year. The combined assets, sales and net income of the subsidiaries (unimportant individually) which were not independently examined are, in the light of the tests which we have made, not material in relation to the consolidated total assets, sales and net income.

In our opinion, the accompanying financial statements present fairly the consolidated position of Hart Schaffner & Marx and its subsidiaries as of November 30, 1947, and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

PRICE, WATERHOUSE & CO.

CHICAGO, ILLINOIS
January 16, 1948

FIVE YEAR RECORD OF EARNINGS

Years Ended Nov. 30†	Consolidated Net Income	
	Total	Per Share*
1947	\$3,212,126	\$9.06
1946	3,423,126	9.44
1945	1,645,860	4.63
1944	1,392,596	3.91
1943	1,631,319	4.59

FIVE YEAR RECORD OF DIVIDENDS

Years Ended Dec. 31†	Dividends	
	Total	Per Share*
1947	\$855,678	\$2.40
1946	644,518	1.80
1945	569,252	1.60
1944	426,939	1.20
1943	494,095	1.40

†The consolidated net income (after appropriations for contingencies) is stated above on the basis of the fiscal year of the company. Dividends, however, are stated above on the basis of calendar years because a statement on a fiscal year basis would not be strictly comparable.

*For the year 1943, the consolidated net income and dividends per share have been computed on shares outstanding, adjusted for the change in capital stock effective March 17, 1944. Actual amounts for such year per share of stock then outstanding were 2½ times the amounts shown above.



